



**NYOS Charter School, Inc.**

**Financial Statements**

**June 30, 2009**

**(With Independent Auditors'  
Report Thereon)**



November 20, 2009

To the Senior Management and  
The Board of Governing Council of  
NYOS Charter School, Inc.

In planning and performing our audit of the financial statements of NYOS Charter School, Inc. for the year ended June 30, 2009, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit, we noticed an improvement in the Organization's operating efficiency and the continued strength of the finance office. This letter does not affect our report dated November 20, 2009, on the financial statements of NYOS Charter School, Inc.

We wish to thank the employees of the Organization for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Governing Council, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

  
Jimmy Jacobs CPA  
Jacobs CPA

Pearland, Texas  
November 20, 2009



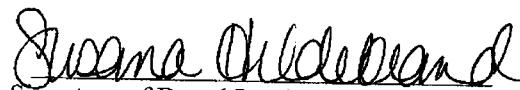
*Not Your Ordinary School*

NYOS Charter School, Inc.  
Federal Employer Identification Number: 74-2860628  
Certificate of Board

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Austin, Texas 78753  
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We, the undersigned, certify that the attached Financial and Compliance Report of NYOS Charter School, Inc. was reviewed and (check one)  approved  disapproved for the year ended June 30, 2009, at a meeting of the governing body of the charter holder on the 15<sup>th</sup> day of December, 2009.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

NYOS Charter School, Inc.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Governing Council of  
NYOS Charter School, Inc.

We have audited the accompanying statement of financial position of NYOS Charter School, Inc. (a nonprofit organization) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYOS Charter School, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009, on our consideration of NYOS Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of NYOS Charter School, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Jimmy Jacobs, CPA".

Jacobs CPA

Pearland, Texas  
November 20, 2009

**NYOS Charter School, Inc.**  
**Statement of Financial Position**  
**As of June 30, 2009**

**ASSETS**

Current Assets		
Cash and Cash equivalents	\$	187,395
Due from State (Note 5)		783,566
Due from Federal Agencies (Note 5)		97,543
Miscellaneous Accounts Receivable		37,001
Fixed Assets, net of depreciation (Note 1)		4,356,642
Other Assests		
Security Deposits		1,178
Capitalized Bond Issuance Costs, net		185,842
Premium and Discount on Bonds, net		514,127
Restricted Assets		
Cash and Cash equivalents (Note 7)		308,639
Total Assets	\$	<u><u>6,471,933</u></u>

**LIABILITIES and NET ASSETS**

Current Liabilities		
Accounts Payable	\$	220,782
Accrued Interest Payable		138,963
Payroll Deductions Payable		149,881
Accrued Payroll		210,945
Bonds Payable - Current (Note 2)		130,833
Capital Leases Payable - Current (Note 2)		7,742
Long Term Liabilities		
Bonds Payable - Future Maturities (Note 2)		4,646,251
Capital Leases Payable - Future Maturities (Note 2)		326
Total Liabilities	\$	<u>5,505,723</u>
Net Assets		
Unrestricted	\$	966,210
Temporarily restricted		-
Total Net Assets	\$	<u>966,210</u>
Total Liabilities and Net Assets	\$	<u><u>6,471,933</u></u>

*(The accompanying notes are an integral part of this financial statement)*

**NYOS Charter School, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Other Support</b>			
Local Revenues			
Contributions	\$ 33,570	\$ -	\$ 33,570
Service Rendered to Other Schools	293,427	-	293,427
Interest	4,974	-	4,974
Food Service	80,309	-	80,309
Other Local Revenue	173,015	-	173,015
Total Local Revenues	<u>585,295</u>	-	<u>585,295</u>
State Program Revenues			
Foundation School Program	-	4,753,403	4,753,403
Technology Allotment	-	18,534	18,534
ARI/AMI	-	16,821	16,821
Capital Investment	-	65,201	65,201
Other State Revenues	-	590	590
Total State Program Revenues	<u>-</u>	<u>4,854,549</u>	<u>4,854,549</u>
Federal Program Revenues			
Title IV, Part A-Safe & Drug Free Schools	-	1,595	1,595
ESEA Title I, Part A	-	79,151	79,151
National Breakfast and Lunch Program	-	110,278	110,278
Title II, Part A	-	20,935	20,935
Title II, Part D-Enhancing Educ.	-	1,091	1,091
Title III	-	500	500
21st CCLC	-	384,015	384,015
IDEA B Formula	-	201,784	201,784
Total Federal Program Revenues	<u>-</u>	<u>799,349</u>	<u>799,349</u>
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	5,653,898	(5,653,898)	-
Total Revenues and Other Support	<u>\$ 6,239,193</u>	<u>\$ -</u>	<u>\$ 6,239,193</u>
<b>EXPENDITURES and OTHER LOSSES</b>			
Program Services			
General School Operations	\$ 3,526,450	\$ -	\$ 3,526,450
Title IV, Part A-Safe & Drug Free Schools	1,595	-	1,595
ESEA Title I, Part A	79,151	-	79,151
National Breakfast and Lunch Program	316,033	-	316,033
Title II, Part A	20,935	-	20,935
Title II, Part D-Enhancing Educ.	1,091	-	1,091
Title III	500	-	500
21st CCLC	384,015	-	384,015
IDEA B Formula	201,784	-	201,784
Technology Allotment	18,534	-	18,534
ARI/AMI	16,821	-	16,821
Capital Investment	65,201	-	65,201
Total Program Services	<u>4,632,110</u>	<u>-</u>	<u>4,632,110</u>
Support Services			
Administrative Support Services	292,389	-	292,389
Support Services - Non-Student Based	1,086,524	-	1,086,524
Support Services - Student (Pupil)	85,813	-	85,813
Fundraisers	62,855	-	62,855
Debt Service	755	-	755
Total Expenditures	<u>\$ 6,160,446</u>	<u>\$ -</u>	<u>\$ 6,160,446</u>
Change in Net Assets	78,747	-	78,747
Net Assets at Beginning of Year	887,463	-	887,463
Net Assets at End of Year	<u><u>\$ 966,210</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 966,210</u></u>

*(The accompanying notes are an integral part of this financial statement)*

**NYOS Charter School, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2009**

**CASH FLOWS FROM OPERATING ACITIVITES**

Foundation School Program payments	\$	4,704,613
Grant payments		777,827
Contributions and fund-raising activities		585,295
Payments to vendors for goods and services rendered		(1,170,394)
Payments to charter school personnel for services rendered		(4,443,269)
Interest payments		(239,210)
Net Cash Provided by Operating Activities		<u>214,862</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Building Renovations		(1,072,319)
Net Cash Provided by Investing Activities		<u>(1,072,319)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Net Debt Principal Received (Paid)		(133,895)
Net Cash Provided by Financing Activities		<u>(133,895)</u>

Net (Decrease)/Increase in Cash and Cash Equivalents		(991,352)
Cash and Cash Equivalents at Beginning of Year		<u>1,487,386</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$</b>	<b><u>496,034</u></b>

**Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities**

Change in Net Assets	\$	78,747
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities		
Depreciation		105,372
Amortization of Issuance /Costs. Prem., & Disc. On Bonds		31,080
(Increase)Decrease in Current Assets		
Accounts Receivable		(107,482)
Increase(Decrease) in Operating Liabilities		
Accounts Payable		46,077
Accrued Interest Payable		(3,462)
Payroll Deductions Payable		37,835
Accrued Payroll		26,945
Deferred Revenue		(250)
Net Cash Provided by Operating Activities	\$	<u>214,862</u>



**NYOS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**Note 1: Summary of Significant Accounting Policies**

The general-purpose financial statements of NYOS Charter School, Inc. [the “Corporation”] were prepared in conformity with accounting principles general accepted in the United States. The Financial Accounting Standards Board is the standard setting body for establishing not-for profit accounting and financial reporting principles.

**Reporting Entity**

The Corporation is a not-for profit organization incorporated in the State of Texas in December, 1997, and is exempt from federal income taxes pursuant to Section 501 {c} {3} of the Internal Revenue Code. A Board of Directors comprised of ten members governs the Corporation. The Board of Directors is selected pursuant to the bylaws of the Corporation and has the authority to make decisions, appoint the chief officer of the Corporation and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Corporation.

Since the Corporation receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds.

**Corporate Operations**

In December, 1997, the State Board of Education of the State of Texas granted the NYOS Charter School, Inc. an open enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for the Charter, NYOS Charter School [The “School”] opened for the academic year 1998-1999. The School provides educational services in grades Pre K through 12 and the Corporation’s Board of Directors governs their programs, services, activities and functions.

**Basis of Presentation**

The accompanying general purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, management made certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period.

Net assets and revenues, expenditures, gains, and losses are classified on the existence or absence of donor imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

**Unrestricted**

Net assets that are not subject to donor imposed stipulations.

**Temporarily Unrestricted**

Net assets subject to donor imposed stipulations that may or will be met by actions of the Corporation, the School and/or the passage of time.

**Permanently Restricted**

Net assets required to be maintained in perpetuity with only the income to be used for the School’s activities due to donor imposed restrictions.

**NYOS CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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**Contributions**

The Corporation accounts for the contributions in accordance with Statement of Financial Accounting Standards No.116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No.116, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

**Cash and Cash Equivalents**

For financial statement purposes, the Corporation considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

**Capital Assets**

Capital assets, which include improvements, furniture and equipment, vehicles and other personal property, are reported in the general purpose and specific purpose financial statements. Capital assets are defined by the Corporation as assets with an individual cost of \$5,000 or more and with a useful life of three years or more. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to twenty years using the straight-line method of depreciation. Additions, major renewals and betterments are capitalized and maintenance and repairs are charged to expense and incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

Capital assets at June 30, 2009 were as follows:

Land	\$ 406,480
Buildings and Improvements	4,632,113
Vehicles	54,968
Furniture and Equipment	61,102
Library Books and Media	36,907
Equipment under Capital Lease	<u>9,999</u>
Total	5,201,568
Accumulated Depreciation	<u>844,926</u>
Capital Assets, Net	<u>\$4,356,642</u>

Capital assets acquired with public funds received by the Corporation for the operation of NYOS Charter School, Inc., constitute public property pursuant to Chapter 12 of the Texas Education Code. The cost basis of these is identified on the Schedule of Capital Assets (page 14 of this report).

**Note 2: Debt**

The Corporation issued bonds in the aggregate amount of \$4,725,000 designated Orchard Higher Education Finance Corporation Education Revenue Bonds (NYOS Charter School, Inc.) Series 2006A (the "Series 2006A Bonds"), and its revenue bonds in the aggregate principal amount of \$355,000 designated Orchard Higher Education Finance Corporation Taxable Education Revenue Bonds (NYOS Charter School, Inc.) Series 2006B (the "Series 2006B Bonds") collectively, the "Series 2006 Bonds". The proceeds of the Series 2006 Bonds were used to finance and refinance the cost of a major project consisting of certain land, building, facilities, and improvements on the campus of NYOS Charter School in The City of Austin, Texas, and to pay the certain costs of issuing such bonds. The 2006 Bonds are secured by a pledge of all revenue and all amounts at any time deposited in the Construction Fund, Facilities Revenue Fund, Debt Service Fund, Debt Service

**NYOS CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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Reserve Fund and Unlimited Liquid Assets Fund, and by a mortgage on the properties financed or refinanced from the proceeds of the Series 2006 Bonds, including all revenues thereon. The Series 2006A Bonds bear interest at the annual rate of 5.034% and are payable in monthly installments commencing July 28, 2006 (interest only through January 28, 2010) and with the payments on principal commencing February 28, 2010 and final maturity on January 28, 2031. The Series 2006B Bonds bear interest at the annual rate of 6.9% and are payable in monthly installments commencing July 28, 2006 (interest only through January 28, 2007) with final maturity January 28, 2010.

The capitalized bond issuance cost and the discount on bonds as displayed as "Other Assets" on the statement of financial position are being amortized over the life of the bonds at a total of \$2,590 per month. For the year ending June 30, 2009, a total of \$31,080 was amortized with a charge to bond issuance expense.

Future bonded debt service requirements are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	130,833	228,657	359,490
2011	140,833	225,663	366,496
2012	147,917	225,663	373,579
2013-2017	830,417	1,066,741	1,897,158
2018-2022	1,054,167	840,167	1,894,784
2023-2027	1,342,917	541,962	1,884,878
2028-2032	<u>1,130,000</u>	<u>271,625</u>	<u>1,401,625</u>
Total	<u>\$4,777,084</u>	<u>\$3,407,996</u>	<u>\$8,185,080</u>

The Corporation has one capital lease outstanding at June 30, 2009. The details of which are as follows:

Item Leased	Telephone System	
Capitalized Cost of Asset	\$ 9,999	
Date of Lease	7/09/2007	
Term of Lease	36 months	
Monthly Payments	\$ 329.60	
Implied Interest Rate	11.50%	
Payments Due-		
Year Ended June 30-	<u>Principal</u>	<u>Interest</u>
2010	\$ 3,557	\$398
2011	326	5
Thereafter	<u>-</u>	<u>-</u>
Total	<u>\$ 3,883</u>	<u>\$ 403</u>

**Note 3: Employee Retirement and Pension Plan Obligations**

Employees of the School are covered by the Teacher Retirement System of Texas. A description of this plan and its funding policies is as follows:

**NYOS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**Plan Description**

NYOS Charter School contributes to the Teacher Retirement System of Texas (TRS), a cost sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities and death and survivor benefit to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 67 and the Texas government Code, Title 8, Subtitle C. TRS also administers Proportional Retirement benefits and service credit transfer under the Texas Government Code, Title 8, Chapters 803 and 805, respectively, TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 100 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778 or by downloading the report from the TRS internet website- [www.trs.state.tx.us](http://www.trs.state.tx.us)- under the TRS publications heading.

**Funding Policy**

Under provisions of State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the corporation's covered payroll. The School's employees' contributions to the System for the fiscal year ending June 30, 2009 were \$232,044. Others contributions made from Federal and private grants and from the School for salaries above the statutory minimum for fiscal year ending June 30, 2009 were \$18,584 and were equal to the required contributions for the year. State contributions to TRS made on behalf of the School's employees for the year ended June 30, 2009 are not recorded in the accompanying financial statements.

**Note 4: Health Care Cover**

During the year ended June 30, 2008, employees of the School were covered by a health insurance plan with Humana, a carrier licensed to do business in the State of Texas. The School paid 100% of the premium cost per employee and employees, at their option, authorized payroll withholdings to pay premiums for dependents. In March 2009, when Humana's new contract rates increased, the employees were required to cover the increased amount of the premiums.

**Note 5: Due from Federal/State Agencies**

At June 30, 2009, the School had the following amounts due from other governments:

Foundation School Program	\$781,920
Accelerated Reading/Accelerated Math	1,645
Capital Investment	30,224
Title III	500
Title VI, Part B-21 <sup>st</sup> Century Community Learning Center	<u>66,820</u>
Total	<u>\$881,109</u>

**NYOS CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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**Note 6: Temporarily restricted Net Assets**

Temporarily Restricted Net Assets occur as a result of the receipt of temporarily restricted funds which were not fully expended prior to the close of the fiscal period. At June 30, 2009 the Corporation had no temporarily restricted net assets.

**Note 7: Restricted Assets**

As noted in Note 3 above, the Corporation had a total of \$5,080,000 principal amount Series 2006 Bonds. The Bond covenant required the establishment of certain restricted bank accounts, restricted to the payment of bond principal and interest to prevent default in case of reduced cash flow. The restricted assets as displayed in the Statement of Financial Position include \$179 in the Debt Service Escrow Account and \$152,960 in Debt Service Reserve Account and are invested in interest bearing accounts.

**Note 8: Commitments and Contingencies**

Texas Charter Schools receive funds through state and federal programs which are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenditures charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex requirements and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or by the grantor agency.

Further, the parents of a former student have filed an action to obtain discovery and are seeking additional information about the circumstances surrounding a tragic accident. Although no damages are currently sought, it is reasonable to anticipate that a suit for damages may be filed in the future.

**Note 9: Operating Leases**

NYOS Charter School, Inc. entered into a lease agreement with Grant A.M.E Worship Center for certain portions of building and grounds located at 1607 Kramer Lane, Austin, Texas. The term of this lease is for a period of 10 years that began July 1, 2007 and ends on August 1, 2017, unless sooner terminated, or extended in accordance with the provisions of this lease. This minimum rent for this space is \$4,500 per month per month. On January 1, 2009, the lessee was required to pay an additional \$42.00 per month per pupil attending classes on the premises as calculated on the first of each month for which rent is to be paid. After January 1, 2009, the monthly rent will be a greater of the minimum rent or the pupil rent, but not both. The minimum rent and the pupil rent will increase 3% annually beginning September 1, 2009. For 2008-2009, the School paid a total of \$66,000 pursuant to the terms of this lease.

Future lease payments under this operating lease is as follows:

Year Ending June 30	
2010	\$ 138,990
2011	143,160
2012	147,454
2013	151,878
2014	156,434
Thereafter	\$ 498,029

**NYOS CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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NYOS Charter School entered into two separate operating lease agreements dated September 1, 2006, for the use of CopyStar Digital copier systems. These leases are for a period of 60 months and require a monthly rental of \$1,115 and are a non-cancellable. During 2008-2009, the School paid a total of \$16,386 in accordance with the terms of this lease.

Year Ending June 30	
2010	\$13,380
2011	13,380
2013	0
2014	0
2015	0

**Note 10: State Foundation Program Revenue**

Charter schools in the State of Texas participate in the State Foundation Program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period and, at the close of the year, actual attendance is calculated by the Texas Education Agency and the amount of State Foundation Program earnings is calculated. The enrollment and attendance reports are subject to audit by the Texas Education Agency and final State Foundation Program earnings may be adjusted as a result of such audit. During the year ended June 30, 2009, NYOS Charter School was paid a total of \$4,633,358 of State Foundation Program Funds, all of which was earned before any possible TEA enrollment and attendance audit.

**Note 11: Shared Service Arrangements**

The school is the fiscal agent for a Shared Service Arrangement [“SSA”] which provides legally required special education and related services to eligible students with disabilities who are enrolled in the member schools listed below. All services are provided by the fiscal agent and the member schools provide funds through an assignment of IDEA-B, Formula and Preschool grant funds to the fiscal agent. The School has provided each member school with its share of revenue and expenditures applicable to each program and only the revenues and expenditures applicable to NYOS Charter School, Cedars International Academy and Eden Park Academy are included in the accompanying financial statements. The expenditures incurred on behalf of the member schools are as follows:

<u>Member Districts</u>	<u>Expenditures for IDEA-B</u> <u>Formula</u>
Cedars International Academy	\$24,416
NYOS Charter School	84,951
Texas Empowerment	28,653
Austin Discovery School	26,232
Eden Park Academy	<u>37,532</u>
	<u>\$201,784</u>

**Note 12: Related Parties**

A parent representative on the Governing Council Roster wife is an occasional substitute teacher at NYOS Charter School.

**NYOS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**Note 13: Charter School Operations**

The charter holder, NYOS Charter School, Inc. operated one charter school-NYOS Charter School which had multiple locations and had no other charter or non charter activities.

**NYOS Charter School, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

		Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>				
Local Revenues				
5720	Services Rendered	\$ 293,429	\$ -	293,429
5740	Other Revenues from Local Sources	200,373	-	200,373
5750	Co-Curricular Activities	91,493	-	91,493
State Program Revenues				
5810	Foundation School Program Revenues	-	4,818,604	4,818,604
5820	State Program Revenues Distributed by Texas Education Agency	-	35,945	35,945
Federal Program Revenues				
5920	Federal Revenues Distributed by the Texas Education Agency	-	798,849	798,849
5930	Federal Program Revenues Distributed by other than Texas Education Agency	-	500	500
Net Assets Released From Restrictions:				
Restrictions Satisfied by Payments		5,653,898	(5,653,898)	-
Total Revenues		\$ 6,239,193	\$ -	\$ 6,239,193
<b>EXPENDITURES</b>				
11	Instruction	3,494,293	-	3,494,293
12	Instructional Resources and Media Services	22,847	-	22,847
13	Curriculum Development and Instructional Staff Development	150,117	-	150,117
21	Instructional Leadership	192,382	-	192,382
23	School Leadership	348,699	-	348,699
31	Guidance, Counseling and Evaluation Services	131,702	-	131,702
32	Social Work Services	3,030	-	3,030
33	Health Services	2,052	-	2,052
34	Student Transportation	1,468	-	1,468
35	Food Service	322,366	-	322,366
36	Cocurricular/Extracurricular Activities	22,411	-	22,411
41	General Administration	307,602	-	307,602
51	Plant Maintenance and Operations	995,362	-	995,362
53	Data Processing Services	102,505	-	102,505
71	Debt Service	755	-	755
81	Fundraisers	62,855	-	62,855
Total Expenditures		\$ 6,160,446	\$ -	\$ 6,160,446
Change in Net Assets		78,747	-	78,747
Net Assets at Beginning of Year		887,463	-	887,463
Net Assets at End of Year		\$ 966,210	\$ -	\$ 966,210

*(The accompanying notes are an integral part of this financial statement)*



**NYOS Charter School, Inc.**  
**Schedule of Expenditures**  
**For the Year Ended June 30, 2009**

**Expenditures**

6100	Payroll Costs	\$ 4,508,049
6200	Professional and Contracted Services	672,404
6300	Supplies and Materials	480,250
6400	Other Operating Costs	232,915
6500	Interest Expense and Cost of Issuance of Debt	266,828
		<hr/>
	Total Expenditures	\$ <u><u>6,160,446</u></u>

**NYOS Charter School, Inc.**  
**Schedule of Capital Assets**  
**For the Year Ended June 30, 2009**

		Ownership Interest			
		Local	State	Federal	Total
1510	Land and Improvements	\$ -	\$ 406,480	\$ -	\$ 406,480
1520	Buildings and Improvements	88,665	3,580,865	962,583	4,632,113
1531	Vehicles	-	54,968	-	54,968
1539	Furniture and Equipment	6,490	54,612	-	61,102
1559	Equipment under Capital Lease	-	9,999	-	9,999
1569	Library Books and Media	36,907	-	-	36,907
	Total Capital Assets	<u>\$ 132,062</u>	<u>\$ 4,106,924</u>	<u>\$ 962,583</u>	<u>\$ 5,201,569</u>

**NYOS Charter School, Inc.**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2009**

		Budgeted Amounts		Actual	Variance from
		Original	Final	Amounts	Final Budget
<b>REVENUES and OTHER SUPPORT</b>					
Local support					
5720	Services Rendered	\$ -	\$ -	\$ 293,429	\$ 293,429
5740	Other Revenues from Local Sources	260,343	248,642	200,373	(48,269)
5750	Co-Curricular Activities	307,504	335,474	91,493	(243,981)
State Program Revenues					
5810	Foundation School Program Revenues	4,809,831	4,843,295	4,818,604	(24,691)
5820	State Program Revenues Distributed by Texas Education Agency	18,642	19,124	35,945	16,821
Federal Program Revenues					
5920	Federal Revenues Distributed by the Texas Education Agency	809,405	794,950	798,849	3,899
5930	Federal Program Revenues Distributed by Texas Education Agency	-	-	500	500
	Total Revenues	<u>\$ 6,205,725</u>	<u>\$ 6,241,485</u>	<u>\$ 6,239,193</u>	<u>\$ (2,292)</u>
<b>EXPENDITURES</b>					
11	Instruction	3,629,172	3,476,411	3,494,293	17,882
12	Instructional Resources and Media Services	22,874	22,847	22,847	-
13	Curriculum Development and Instructional Staff Development	132,015	149,855	150,117	262
21	Instructional Leadership	180,858	188,146	192,382	4,236
23	School Leadership	358,155	347,995	348,699	704
31	Guidance, Counseling and Evaluation Services	123,611	122,178	131,702	9,524
32	Social Work Services		2,984	3,030	46
33	Health Services		1,030	2,052	1,022
34	Student Transportation		1,468	1,468	-
35	Food Services	304,505	321,721	322,366	645
36	Cocurricular/Extracurricular Activities	30,159	24,614	22,411	(2,203)
41	General Administration	338,114	308,415	307,602	(813)
51	Plant Maintenance and Operations	810,362	1,081,103	995,362	(85,741)
53	Data Processing Services	84,915	102,421	102,505	84
71	Debt Service			755	755
81	Fundraising	40,000	60,275	62,855	2,580
	Total expenditures	<u>\$ 6,054,740</u>	<u>\$ 6,211,463</u>	<u>\$ 6,160,446</u>	<u>\$ (51,017)</u>
	Change in Net Assets	150,985	30,022	78,747	48,725
	Net Assets at Beginning of Year	-	-	887,463	887,463
	Net Assets at End of Year	<u>\$ 150,985</u>	<u>\$ 30,022</u>	<u>\$ 966,210</u>	<u>\$ 936,188</u>

*(The accompanying notes are an integral part of this financial statement)*



**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Governing Council of  
NYOS Charter School, Inc.

We have audited the financial statements of NYOS Charter School, Inc. (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered NYOS Charter School, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NYOS Charter School, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NYOS Charter School, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of NYOS Charter School, Inc. in a separate letter dated November 20, 2009.

This report is intended solely for the information and use of management, governing council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jacobs CPA

Pearland, Texas

November 20, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Governing Council of  
NYOS Charter School, Inc.

Compliance

We have audited the compliance of NYOS Charter School, Inc. (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. NYOS Charter School, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of NYOS Charter School, Inc.'s management. Our responsibility is to express an opinion on NYOS Charter School, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NYOS Charter School, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of NYOS Charter School, Inc.'s compliance with those requirements.

In our opinion, NYOS Charter School, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of NYOS Charter School, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered NYOS Charter School, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NYOS Charter School, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that

noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, governing council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jacobs CPA

Pearland, Texas

November 20, 2009



**NYOS Charter School, Inc.  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009**

**A. Summary of Auditor’s Results**

**1. Financial Statements**

Type of auditor’s report issued: Unqualified.

Internal control over financial reporting:

- i. Control deficiencies identified that are not considered to be material weaknesses: None noted.
- ii. Material weaknesses identified: None noted.

Noncompliance material to the financial statements: None noted.

**2. Federal Awards**

Type of auditor’s report issued: Unqualified.

Internal control over major programs:

- i. Control deficiencies identified that are not considered to be material weaknesses: None noted.
- ii. Material weaknesses identified: None noted.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133: No.

Auditee qualified as low-risk auditee? Yes.

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.287C	Title IV, Part B-21 <sup>st</sup> Century Community Learning Centers
84.027	SSA IDEA B

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

**B. Findings related to the Financial Statements**

The audit did not disclose any findings that are required to be reported.

**C. Findings and Questioned Costs related to Federal Awards**

The audit did not disclose any findings that are required to be reported.





**NYOS Charter School, Inc.**  
**Schedule of Prior Year Findings and Questioned Costs**  
**For the Year Ended June 30, 2008**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified.

Internal control over financial reporting:

- i. Control deficiencies identified that are not considered to be material weaknesses: None.
- ii. Material weaknesses identified: None.

Noncompliance material to the financial statements: None.

2. Federal Awards

Type of auditor's report issued: Unqualified.

Internal control over major programs:

- i. Control deficiencies identified that are not considered to be material weaknesses: None.
- ii. Material weaknesses identified: None.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133: None.

Auditee qualified as low-risk auditee? Yes.

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.287C	Title IV, Part B-21 <sup>st</sup> Century Community Learning Centers

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

B. Findings related to the Financial Statements

None.

C. Findings and Questioned Costs related to Federal Awards

None.

**NYOS CHARTER SCHOOL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Data Control Codes	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Pass Through Texas Education Agency:				
204	ESEA Title IV, Part A - Safe & Drug Free Schools & Communit	84.186A	09691001227804	\$ 1,595
211	ESEA Title I, Part A - Improving Basics Programs	84.010A	09610101227804	79,151
224	SSA IDEA B Formula	84.027	096600012278047660C	201,784
255	ESEA Title II, Part A - Teacher & Principal Training & Recruti	84.367A	09694501227804	20,935
265	ESEA IV, Part B - 21st Century Community Learning Centers	84.287	086950117110025	384,015
262	ESEA Title II, Part D - Enhancing Education Through Technolo	84.318X	09630001227804	1,091
Pass Through Other than Texas Education Agency:				
263	Title III			500
Total U.S. Department of Education				<u>\$ 689,071</u>
U.S. DEPARTMENT OF AGRICULTURE				
Pass Through Texas Education Agency:				
240	School Breakfast Program*	10.553	71400901	17,318
240	National School Lunch Program*	10.555	71300901	92,960
Total U.S. Department of Agriculture				<u>\$ 110,278</u>
TOTAL EXPENDITURES OF FEDERAL EXPENDITURES				<u>\$ 799,349</u>

\*Indicates clustered program under OMB Circular A-133 Compliance Supplement

*(The accompanying notes are an integral part of this financial statement)*

**NYOS CHARTER SCHOOL, INC.  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2009**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of NYOS Charter School and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, and NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.